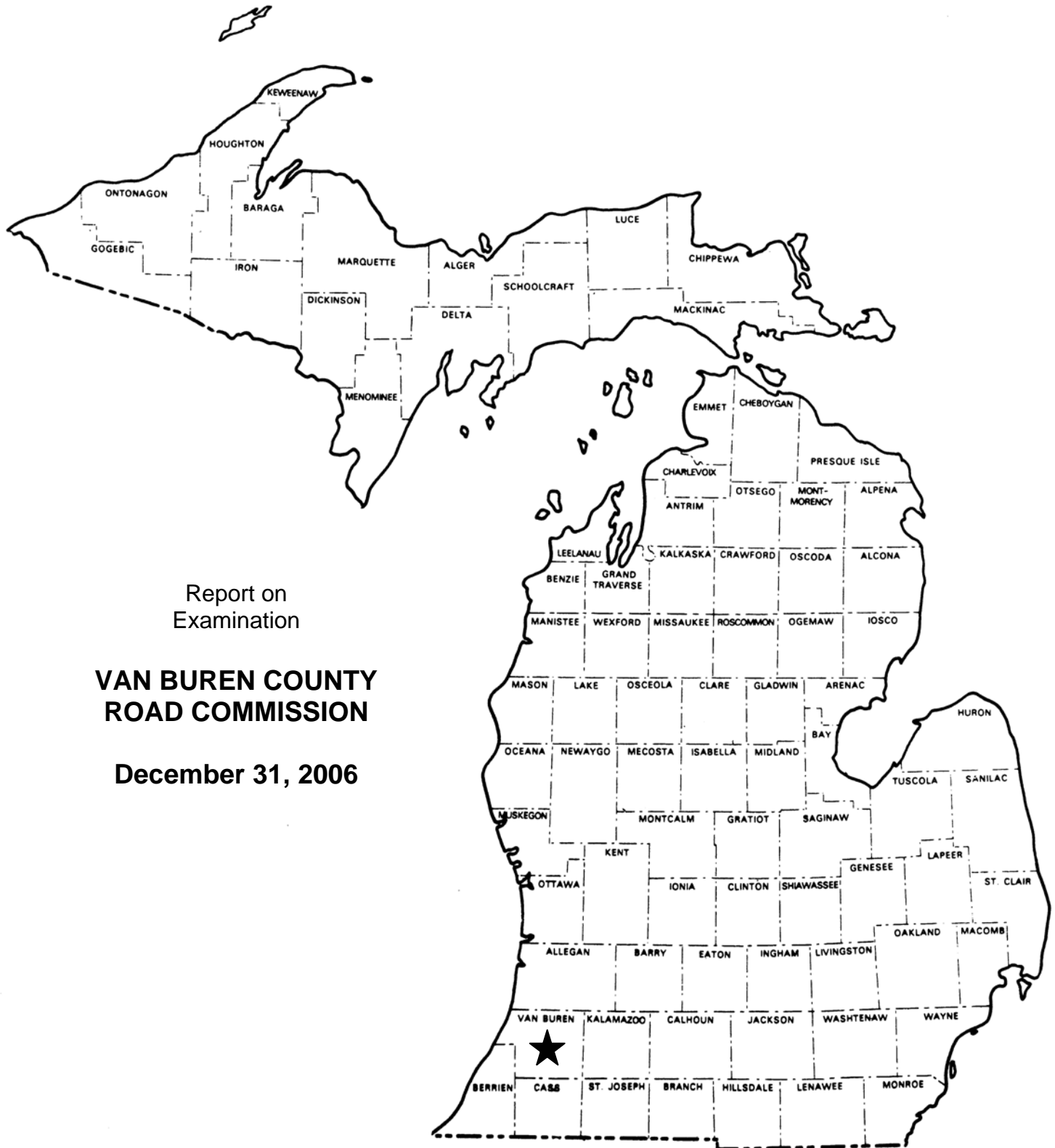


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**



VAN BUREN COUNTY ROAD COMMISSION  
BOARD OF COUNTY ROAD COMMISSIONERS

Jean A. Stein  
Chairman

John Roosevelt  
Vice Chairman

William D. Rhodes  
Member

Lawrence B. Hummel  
Engineer/Manager

Gregory M. Pardike  
Secretary/Accountant

COUNTY POPULATION--2000  
76,263

STATE EQUALIZED VALUATION--2006  
\$3,445,454,613



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

March 6, 2007

Van Buren County Road Commission  
Board of County Road Commissioners  
300 James Street  
P.O. Box 156  
Lawrence, Michigan 49064

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying basic financial statements of the Van Buren County Road Commission, a component unit of Van Buren County, Michigan, as of and for the year ended December 31, 2006, which comprises the Road Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Van Buren County Road Commission as of December 31, 2006 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2007 on our consideration of the Van Buren County Road Commission's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 9 and the budget comparison information in Exhibits I and J are not part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Van Buren County Road Commission's basic financial statements. The accompanying supplemental and related information presented as Exhibits K through M is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# VAN BUREN COUNTY ROAD COMMISSION

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# **VAN BUREN COUNTY ROAD COMMISSION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Van Buren County Road Commission, we offer the readers of the Road Commission's financial statements this narrative overview and analysis of the financial activities of the Road Commission for the fiscal year ended December 31, 2006. This annual report includes financial statements that present both a short and long-term view of the Road Commission activities.

### ***Overview of the Financial Statements***

The Road Commission's financial statements consist of four parts: Management's Discussion and Analysis (this section is intended to provide a basis of understanding the Road Commission's basic financial statements), government-wide financial statements, fund financial statements, and notes to the financial statements. Supplementary information is also provided for additional informational purposes.

- The first two statements are government-wide financial statements that provide information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. The current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when funds are received or paid. The government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities. This is one way to measure the Road Commission's financial health.
- The remaining statements are fund financial statements that focus on individual funds, reporting the operations in more detail than the government-wide statements.

### ***Reporting the Road Commission as a Whole***

#### **Government-Wide Statements**

The Statement of Net Assets presents information on all of the Road Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of the Road Commission's overall fiscal position.

The Statement of Activities presents information to show how the Road Commission's net assets changed during the most recent fiscal year as compared to previous year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

**VAN BUREN COUNTY ROAD COMMISSION**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Both of the financial statements distinguish the function of the Road Commission which is principally supported by State Shared Revenues (Operating Grants). The governmental activities of the Road Commission includes providing construction and maintenance of roads and bridges, as well as contracted work on State trunklines within Van Buren County.

The Road Commission has no legally separate component units for which the Road Commission is financial accountable. In this report, financial information for the Road Commission is reported separately from the financial information presented for Van Buren County which reports the Road Commission as a component unit.

The government-wide financial statements can be found on Page 10.

Fund Financial Statements

A “Fund” is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Road Commission, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Road Commission is accounted for in only one fund which is the General Operations Fund.

Governmental Funds focus on the in-flow and out-flows of money and the balances left at year-end that are available for spending. This fund is reported using an accounting method called “modified accrual accounting,” which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission’s general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are less or more financial resources that can be spent in the near future to finance the Road Commission’s services.

Because the focus of the general fund is narrower than that of the government-wide financial statements it is useful to compare the information presented for the general fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the general fund balance sheet and the general fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the general fund and the government-wide statements.

The Road Commission maintains one governmental fund (General Operating Fund). Information is presented in the general operating fund balance sheet and in the general operating fund statement of revenues, expenditures, and changes in fund balances for the Road Commission. The General Operating Fund is a major fund for financial reporting purposes as defined by GASB Statement No. 34. The Road Commission does not maintain proprietary funds and has one Pension Trust Fund (fiduciary fund).

**VAN BUREN COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Road Commission adopts an annual appropriated budget for its fund. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

Notes to Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the Road Commission's financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this analysis also presents certain required supplementary information. This is limited to this Management Discussion and Analysis.

***Financial Highlights***

Net assets may, over time, enable governmental agencies to determine their overall fiscal position. As shown on the Van Buren County Road Commission Net Asset Schedule, the Road Commission's assets exceeded liabilities by \$56,932,071 at the end of the calendar year.

Restricted County Road net assets increased \$3,088,898 during 2006. The primary reason for the increase was the result of funds earmarked for building construction; and secondarily, due to a decrease in program expenses. The capital assets-net of related debt increased by only \$11,210 primarily due to new infrastructure and net capital outlay expenditures offset by new debt.

Net assets as of year ended December 31, 2006 is as follows:

|                            | <u>2005</u>                | <u>2006</u>                | <u>Variance</u>           | <u>Percent</u>      |
|----------------------------|----------------------------|----------------------------|---------------------------|---------------------|
| Assets                     |                            |                            |                           |                     |
| Current and Other Assets   | \$ 6,059,636               | \$ 9,588,574               | \$3,528,938               | 58.24%              |
| Capital Assets             | <u>49,833,491</u>          | <u>54,615,925</u>          | <u>4,782,434</u>          | <u>9.60%</u>        |
| Total Assets               | <u>55,893,127</u>          | <u>64,204,499</u>          | <u>8,311,372</u>          | <u>14.87%</u>       |
| Liabilities                |                            |                            |                           |                     |
| Long-Term Debt Outstanding | 294,162                    | 5,072,271                  | 4,778,109                 | 1624.31%            |
| Other Liabilities          | <u>1,630,000</u>           | <u>2,200,157</u>           | <u>570,157</u>            | <u>34.98%</u>       |
| Total Liabilities          | <u>1,924,162</u>           | <u>7,272,428</u>           | <u>5,348,266</u>          | <u>277.95%</u>      |
| Net Assets                 |                            |                            |                           |                     |
| Invested in Capital Assets |                            |                            |                           |                     |
| Net of Related Debt        | 49,804,715                 | 49,815,925                 | 11,210                    | 0.02%               |
| Restricted for County Road | <u>4,027,248</u>           | <u>7,116,146</u>           | <u>3,088,898</u>          | <u>76.70%</u>       |
| Total Net Assets           | <u><u>\$53,831,963</u></u> | <u><u>\$56,932,071</u></u> | <u><u>\$3,100,108</u></u> | <u><u>5.76%</u></u> |

**VAN BUREN COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Assets

A summary of changes in net assets for the year ended December 31, 2006 is as follows:

|                                    | Governmental Activities  |                          | Variance<br>Increase<br>(Decrease) | %                   |
|------------------------------------|--------------------------|--------------------------|------------------------------------|---------------------|
|                                    | 2005                     | 2006                     |                                    |                     |
| Program Revenue                    |                          |                          |                                    |                     |
| License and Permits                | 600                      |                          | (600)                              | -100.00%            |
| Federal Grants                     | 498,146                  | 633,368                  | 135,222                            | 27.15%              |
| State Grants                       | 6,148,794                | 6,395,706                | 246,912                            | 4.02%               |
| Contributions From Local Units     | 3,124,104                | 2,496,384                | (627,720)                          | -20.09%             |
| Charges for Services               | 560,344                  | 241,717                  | (318,627)                          | -56.86%             |
| Contributions From Private Sources | 986,514                  | 739,392                  | (247,122)                          | -25.05%             |
| Reimbursements                     | 711                      | 2,076                    | 1,365                              | 191.98%             |
| Interest and Rents                 | 101,544                  | 294,513                  | 192,969                            | 190.03%             |
| General Revenue                    |                          |                          |                                    |                     |
| Taxes                              | 1,577,932                | 1,673,318                | 95,386                             | 6.05%               |
| Gain on Equipment Disposal         | 113,903                  | 120,354                  | 6,451                              | 5.66%               |
| Insurance Recovery                 | 47,614                   | 13,039                   | (34,575)                           | -72.62%             |
| Total Revenue                      | <u>13,160,206</u>        | <u>12,609,867</u>        | <u>(550,339)</u>                   | <u>-4.18%</u>       |
| Expenses                           |                          |                          |                                    |                     |
| Public Works                       | 10,513,926               | 9,508,317                | (1,005,609)                        | -9.56%              |
| Interest Expense                   | <u>2,604</u>             | <u>1,443</u>             | <u>(1,161)</u>                     | <u>-44.59%</u>      |
| Total Expenses                     | <u>10,516,530</u>        | <u>9,509,760</u>         | <u>(1,006,770)</u>                 | <u>-9.57%</u>       |
| Change in Net Assets               | 2,643,676                | 3,100,107                | 456,431                            | 17.27%              |
| Beginning Net Assets               | <u>51,188,287</u>        | <u>53,831,964</u>        | <u>2,643,677</u>                   | <u>5.16%</u>        |
| Ending Net Assets                  | <u><u>53,831,963</u></u> | <u><u>56,932,071</u></u> | <u><u>3,100,108</u></u>            | <u><u>5.76%</u></u> |

**VAN BUREN COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Road Commission's Fund

The Road Commission's General Operating Fund is used to control the expenditures of Michigan Transportation Funds distributed to Van Buren County for Road and Highway purposes.

|  | 12/31/05<br>Operating<br>Fund | 12/31/06<br>Operating<br>Fund | Favorable<br>(Unfavorable)<br>Variance | Variance<br>Percent % |
|--|-------------------------------|-------------------------------|--|-----------------------|
| Revenue  |                               |                               |  |                       |
| Taxes  | \$ 1,577,932                  | \$ 1,673,318                  | \$ 95,386                              | 6.05%                 |
| Permits  | 600                           | -                             | (600)                                  | -100.00%              |
| Federal Grants                                 | 498,146                       | 633,368                       | 135,222                                | 27.15%                |
| State Grants                                   | 6,148,794                     | 6,395,706                     | 246,912                                | 4.02%                 |
| Contributions From Local Units                 | 3,124,104                     | 2,496,384                     | (627,720)                              | -20.09%               |
| Charges for Services                           | 560,344                       | 241,717                       | (318,627)                              | -56.86%               |
| Interest and Rents                             | 101,544                       | 294,513                       | 192,969                                | 190.03%               |
| Other Revenue                                  | 1,101,128                     | 861,822                       | (239,306)                              | -21.73%               |
| Total Program Revenues                         | 13,112,592                    | 12,596,828                    | (515,764)                              | -3.93%                |
| Expenditures                                   |                               |                               |  |                       |
| Public Works (Road)                            | 11,607,140                    | 10,531,085                    | (1,076,055)                            | -9.27%                |
| Capital Outlay                                 | 1,327,657                     | 3,752,780                     | 2,425,123                              | 182.66%               |
| Debt Service                                   | 30,219                        | 30,219                        | -                                      | 0.00%                 |
| Total Expenditures                             | 12,965,016                    | 14,314,084                    | 1,349,068                              | 10.41%                |
| Excess of Revenue Over (Under)<br>Expenditures | 147,576                       | (1,717,256)                   | (1,864,832)                            | -1263.64%             |
| Other Financing Sources                        |                               |                               |  |                       |
| Installment Purchase Proceeds                  |                               | 4,800,000                     | 4,800,000                              | 100.00%               |
| Insurance Recoveries                           | 47,614                        | 13,039                        | (34,575)                               | -72.62%               |
| Fund Balance--Beginning                        | 4,097,444                     | 4,292,634                     | 195,190                                | 4.76%                 |
| Fund Balance--Ending                           | \$ 4,292,634                  | \$ 7,388,417                  | \$ 3,095,783                           | 72.12%                |

**VAN BUREN COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets and Debt

As of December 31, 2006, the Road Commission had invested \$54,615,925 in capital assets. This amount represents a net increase (including additions and deductions) of \$4,782,433 or 9.60% as follows:

|                                     | 2005          | 2006          | Percent %<br>Change |
|-------------------------------------|---------------|---------------|---------------------|
| Nondepreciating Assets              |               |               |                     |
| Land and Improvements               | \$ 68,269     | \$ 68,269     | 0.00%               |
| Construction in Progress            |               | 2,883,774     | 100.00%             |
| Land/Right-of-Way                   | 24,429        | 24,429        | 0.00%               |
| Infrastructure Improvements         | 9,981,120     | 10,862,393    | 8.83%               |
| Subtotal                            | 10,073,818    | 13,838,865    | 37.37%              |
| Depreciating Capital Assets         |               |               |                     |
| Land Improvements                   | 93,694        | 512,148       | 446.62%             |
| Depletable Assets                   | 234,078       | 234,078       | 0.00%               |
| Buildings                           | 1,968,764     | 1,947,042     | -1.10%              |
| Equipment                           | 8,447,535     | 8,417,152     | -0.36%              |
| Yard and Storage                    | 182,595       | 182,595       | 0.00%               |
| Infrastructure                      | 58,409,656    | 60,452,730    | 3.50%               |
| Subtotal                            | 69,336,322    | 71,745,745    | 3.47%               |
| Total Capital Assets                | 79,410,140    | 85,584,610    | 7.78%               |
| Accumulated Depreciation            |               |               |                     |
| Improvements, Depletable, Buildings | (813,011)     | (856,270)     | 5.32%               |
| Equipment                           | (6,316,375)   | (6,561,840)   | 3.89%               |
| Infrastructure--Roads and Bridges   | (22,447,262)  | (23,550,575)  | 4.92%               |
| Total Accumulated Depreciation      | (29,576,648)  | (30,968,685)  | 4.71%               |
| Total Net Capital Assets            | \$ 49,833,492 | \$ 54,615,925 | 9.60%               |

This year's major capital asset additions included the following:

|  |              |
|--|--------------|
| Reconstruction of Bridges (by Location)                    | \$ 260,093   |
| Various Resurfacing Projects and Related Land/Right-of-Way | 4,656,453    |
| Trucks/Equipment   | 447,752      |
| Building and Improvements                                  | 3,305,026    |
| Total Additions  | \$ 8,669,324 |

**VAN BUREN COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

There was one installment purchase agreements entered into during 2006; the Road Commission borrowed \$4,800,000 to construct its new facility. All other equipment was acquired with Road Commission funds.

Debt

At year end, the Road Commission had \$4,800,000 in installment purchase agreements versus \$28,776 last year, an increase of \$4,771,224 as shown below. The new debt was incurred for the construction of a combination storage facility and maintenance garage under construction and scheduled for completion in May 2007.

|                                 | <u>2005</u>            | <u>2006</u>               | <u>Variance</u>             | <u>%</u>                 |
|---------------------------------|------------------------|---------------------------|-----------------------------|--------------------------|
| Installment Purchase Agreements | <u>\$28,776</u>        | <u>\$4,800,000</u>        | <u>\$(4,771,224)</u>        | <u>-16580.57%</u>        |
| Total                           | <u><u>\$28,776</u></u> | <u><u>\$4,800,000</u></u> | <u><u>\$(4,771,224)</u></u> | <u><u>-16580.57%</u></u> |

Other obligations include accrued vacation pay and sick leave. More detailed information about the Road Commission's long-term liabilities is presented in Note F to the financial statements.

***Budgetary and Financial Analysis***

Budget

The Road Commission amended its 2006 budget during the year to reflect changes in revenues and expenditures from the time of the original planning and budgeting. Examples include securing Federal and State revenue sources for specific road and bridge projects, township revenues, corresponding requests for maintenance projects, and winter operations related to weather (ice and snow).

The actual revenues recognized for 2006 were \$140,424 lower than the final amended budget. The revenue shortfall was primarily the result of contractors delaying the payment request to the first quarter of 2007 for Federal aid payments. Township contributions were slightly less than the final budget due to their election to use special millage funds rather than cash contributions to pay for the township portion of project costs.

The actual expenditures recognized for 2006 were \$583,925 lower than the final amended budget. Several expense reductions are in direct relation to Federal aid projects and revenue reorganization. The single expenditure in excess of the budget, Capital Outlay, was the result of construction of our new maintenance facility. The building project is within budget expectations at year end. However, the completion of work in progress for December was greater than expected.

**VAN BUREN COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Position

The overall financial position for 2006 improved as is evident by an increase in overall net assets of \$3,100,107, as well as an increase in the Road Commission Operating Fund Balance of 3,095,783. The most notable increase occurred as a result of debt incurred for capital outlay in progress at year end. The increase to the fund balance was also the combination of projected decreases in Michigan Transportation Fund revenues, township contributions for road work and Federal targeted grants, exceeded by decreases in expenses for winter maintenance operations, and projects funded with targeted Federal funds and township funds.

It is also worth noting that noncore Road Commission activities, such as Michigan Department of Transportation nonroutine maintenance and private contractor construction of subdivisions (infrastructure), account for overall net increases to revenues and expenditures in 2006 of nearly \$900,000.

*Economic Outlook for 2006*

Michigan Transportation Fund (MTF) Revenues

FY2006 brought a second consecutive year of reduced MTF Revenues. MTF funds remain the foundation of the Road Commission's revenues, although another decrease in 2007 of 1% to 4% is possible. The economic condition of the state and the local economy do not provide for any vision of "relief" from increased MTF collections. The decreasing revenues provide a continually shrinking confine for the Road Commission due to yearly increases in labor, material and equipment costs.

Township Revenues--Revenue Sharing

In FY2006, the townships provided almost \$2.5 million of their funds for preservation and structural improvement projects. The level of township contributions for road work peaked in 2005 at \$3.1 million and is expected to be between 2005 and 2006 levels for 2007. The current economic climate of Michigan has lead to continued decreases in the township's revenue sharing monies to a level near statutory requirements. Many townships have approved special local millage dedicated for road improvements. Currently, 13 of the 18 townships in Van Buren County have their own road millage.

Tax Revenues

A substantial source of funding for the Road Commission has been the collection of a county-wide road millage over the last 29 years. The current millage will be in effect for four (4) years ending with the 2007 levy for the 2008 budget collections. Road Tax revenues for 2007 collections are expected to be approximately \$1,800,000 or 13% of total 2007 revenues. Modest growth of tax revenue is expected due to an increase in the county-wide taxable value for the duration of the tax levy.

**VAN BUREN COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Expenditures

Continued emphasis will be on the economy and productivity within the organization. The Road Commission will maintain the ability to continue routine and special maintenance operations, but reductions may occur in primary and in local road preservation and structural improvement expenditures in direct relation to budgetary constraints.

Requests for Information

This financial report is designed to provide a general overview of the Road Commission's finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Engineer-Manager, Lawrence B. Hummel, P.E., Van Buren County Road Commission, 325 West James Street, P. O. Box 156, Lawrence, Michigan 49064.

**VAN BUREN COUNTY ROAD COMMISSION  
STATEMENT OF NET ASSETS  
December 31, 2006**

**EXHIBIT A**

**ASSETS**

|   |                   |
|---|-------------------|
| Cash  | \$ 3,879,215      |
| Accounts Receivable                                 |                   |
| Taxes   | 1,800,000         |
| Sundry Accounts                                     | 42,956            |
| State--Trunkline Maintenance                        | 25,565            |
| Michigan Transportation Fund                        | 925,961           |
| Due on County Road Agreements                       | 90,782            |
| Inventories   |                   |
| Road Materials                                      | 656,949           |
| Equipment Parts and Materials                       | 250,920           |
| Restricted Cash                                     | 1,916,226         |
| Capital Assets (Net of Accumulated<br>Depreciation) | <u>54,615,925</u> |
| Total Assets  | <u>64,204,499</u> |

**LIABILITIES**

|  |                  |
|--|------------------|
| Current Liabilities  |                  |
| Accounts Payable   | 20,024           |
| Due to State of Michigan   | 249,791          |
| Accrued Liabilities  | 90,567           |
| Performance Bonds Payable  | 4,000            |
| Advances From Townships  | 35,775           |
| Deferred Revenue   |                  |
| Property Taxes   | 1,800,000        |
| Noncurrent Liabilities   |                  |
| Installment Purchase Agreements Payable--Due Within One Year       | 231,811          |
| Installment Purchase Agreements Payable--Due in More Than One Year | 4,568,189        |
| Vested Employee Benefits Payable                                   | <u>272,271</u>   |
| Total Liabilities  | <u>7,272,428</u> |

**NET ASSETS**

|                              |                      |
|------------------------------|----------------------|
| Investment in Capital Assets |                      |
| Net of Related Debt          | 49,815,925           |
| Restricted for County Roads  | <u>7,116,146</u>     |
| Total Net Assets             | <u>\$ 56,932,071</u> |

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2006**

**EXHIBIT B**

|                                    |               |
|------------------------------------|---------------|
| Program Expenses                   |               |
| Primary Road Maintenance           | \$ 1,491,444  |
| Local Road Maintenance             | 3,513,462     |
| State Trunkline Maintenance        | 231,335       |
| Net Equipment Expense              | 458,518       |
| Net Administrative Expense         | 711,161       |
| Infrastructure Depreciation        | 3,095,512     |
| Compensated Absences               | 6,885         |
| Interest Expense                   | 1,443         |
|                                    | <hr/>         |
| Total Program Expenses             | 9,509,760     |
|                                    | <hr/>         |
| Program Revenue                    |               |
| Charges for Services               |               |
| Charges for Services               | 241,717       |
| Rents and Royalties                | 8,739         |
| Operating Grants and Contributions |               |
| Michigan Transportation Funds      | 6,088,423     |
| Investment Earnings                | 285,774       |
| Reimbursements                     | 2,076         |
| Contributions From Local Units     | 1,082,176     |
| Capital Grants and Contributions   |               |
| Federal Grants                     | 633,368       |
| State Grants                       | 307,283       |
| Contributions From Local Units     | 1,414,208     |
| Contributions From Private Sources | 739,392       |
|                                    | <hr/>         |
| Total Program Revenue              | 10,803,156    |
|                                    | <hr/>         |
| Net Program Revenue                | 1,293,396     |
|                                    | <hr/>         |
| General Revenue                    |               |
| Taxes                              | 1,673,318     |
| Insurance Recovery                 | 13,039        |
| Gain on Equipment Disposal         | 120,354       |
|                                    | <hr/>         |
| Total General Revenues             | 1,806,711     |
|                                    | <hr/>         |
| Change in Net Assets               | 3,100,107     |
|                                    | <hr/>         |
| Net Assets                         |               |
| Beginning of Year                  | 53,831,964    |
|                                    | <hr/>         |
| End of Year                        | \$ 56,932,071 |
|                                    | <hr/>         |

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION**  
**BALANCE SHEET**  
**December 31, 2006**

**EXHIBIT C**

|   | <b>GOVERNMENTAL<br/>FUND TYPE</b>     |
|---|---------------------------------------|
|   | <u>General<br/>Operating<br/>Fund</u> |
| <b><u>ASSETS</u></b>                      |                                       |
| Cash                                      | \$ 3,879,215                          |
| Receivables                               |                                       |
| Taxes                                     | 1,800,000                             |
| Sundry Accounts                           | 42,956                                |
| Due From State                            |                                       |
| Trunkline Maintenance                     | 16,324                                |
| Michigan Transportation Fund              | 925,961                               |
| Other                                     | 9,241                                 |
| Due on County Road Agreements             | 90,782                                |
| Inventories                               |                                       |
| Road Materials                            | 656,949                               |
| Equipment Parts and Materials             | 250,920                               |
| Restricted Cash                           | <u>1,916,226</u>                      |
| Total Assets                              | <u><u>\$ 9,588,574</u></u>            |
| <b><u>LIABILITIES AND FUND EQUITY</u></b> |                                       |
| Liabilities                               |                                       |
| Accounts Payable                          | \$ 20,024                             |
| Due to State                              | 249,791                               |
| Accrued Liabilities                       | 90,567                                |
| Performance Deposits Payable              | 4,000                                 |
| Advances From Townships                   | 35,775                                |
| Deferred Revenue--Taxes                   | <u>1,800,000</u>                      |
| Total Liabilities                         | <u>2,200,157</u>                      |
| Fund Equities                             |                                       |
| Fund Balance                              |                                       |
| Reserved for Inventory                    | 907,869                               |
| Reserved for Construction                 | 1,916,226                             |
| Unreserved and Undesignated               | <u>4,564,322</u>                      |
| Total Fund Equities                       | <u>7,388,417</u>                      |
| Total Liabilities and Fund Equities       | <u><u>\$ 9,588,574</u></u>            |

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION  
RECONCILIATION OF THE BALANCE SHEET FUND  
BALANCE TO THE STATEMENT OF NET ASSETS  
For the Year Ended December 31, 2006**

**EXHIBIT D**

|                                 |              |
|---------------------------------|--------------|
| Total Governmental Fund Balance | \$ 7,388,417 |
|---------------------------------|--------------|

Amounts reported for governmental activities in the Statement of Net Assets are  
are different because:

|  |            |
|--|------------|
| Capital assets used in governmental activities are not financial resources and,<br>therefore, are not reported in the funds. | 54,615,925 |
|--|------------|

|   |                    |
|---|--------------------|
| Other long-term assets are not available to pay for current period expenditures<br>and, therefore, are not reported in the funds. | <u>(5,072,271)</u> |
|---|--------------------|

|                                       |                            |
|---------------------------------------|----------------------------|
| Net Assets of Governmental Activities | <u><u>\$56,932,071</u></u> |
|---------------------------------------|----------------------------|

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For the Year Ended December 31, 2006**

**EXHIBIT E**

|  | <u>Operating<br/>Fund</u>  |
|--|----------------------------|
| Revenues   |                            |
| Taxes  | \$ 1,673,318               |
| Federal Grants   | 633,368                    |
| State Grants   | 6,395,706                  |
| Contributions From Local Units   | 2,496,384                  |
| Charges for Services   | 241,717                    |
| Interest and Rents   | 294,513                    |
| Other Revenue  | <u>861,822</u>             |
| Total Revenues   | <u>12,596,828</u>          |
| Expenditures   |                            |
| Public Works   | 10,531,085                 |
| Capital Outlay   | 3,752,780                  |
| Debt Service   | <u>30,219</u>              |
| Total Expenditures   | <u>14,314,084</u>          |
| Excess of Revenues Over<br>(Under) Expenditures  | (1,717,256)                |
| Other Financing Sources (Uses)   |                            |
| Insurance Recoveries   | 13,039                     |
| Installment Purchase Proceeds  | <u>4,800,000</u>           |
| Total Other Financing Sources (Uses)   | <u>4,813,039</u>           |
| Excess of Revenues Over (Under) Expenditures<br>and Other Financing Sources and (Uses) | 3,095,783                  |
| Fund Balance--January 1, 2006  | <u>4,292,634</u>           |
| Fund Balance--December 31, 2006  | <u><u>\$ 7,388,417</u></u> |

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES  
For the Year Ended December 31, 2006**

**EXHIBIT F**

|  |              |
|--|--------------|
| Net Change in Fund Balance--Total Governmental Funds | \$ 3,095,782 |
|--|--------------|

Amounts reported for governmental activities in the statement are different because:

|   |           |
|---|-----------|
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities. | 7,877,946 |
|---|-----------|

|   |             |
|---|-------------|
| Lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the Statement of Net Assets. Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets. | (4,771,224) |
|---|-------------|

|  |                    |
|--|--------------------|
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Increase in compensated absences and infrastructure depreciation) | <u>(3,102,397)</u> |
|--|--------------------|

|   |                            |
|---|----------------------------|
| Change in Net Assets of Governmental Activities | <u><u>\$ 3,100,107</u></u> |
|---|----------------------------|

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION  
STATEMENT OF NET ASSETS  
FIDUCIARY FUND  
December 31, 2006**

**EXHIBIT G**

|   | <u>Pension<br/>Trust</u>   |
|---|----------------------------|
| <b><u>ASSETS</u></b>                              |                            |
| Investments at Fair Market Value                  |                            |
| US Government, Agencies, and Corporate Securities | \$ 1,588,920               |
| Money Market Funds                                | 51,531                     |
| Equity Funds                                      | 3,596,418                  |
| Accrued Income                                    | <u>230</u>                 |
| Total Assets                                      | <u>5,237,099</u>           |
| <b><u>LIABILITIES</u></b>                         |                            |
| Total Liabilities                                 | <u>-</u>                   |
| <b><u>NET ASSETS</u></b>                          |                            |
| Held in Trust for Pension Benefits                | <u><u>\$ 5,237,099</u></u> |

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION**  
**CHANGES IN NET ASSETS--FIDUCIARY FUND**  
**For the Year Ended December 31, 2006**

**EXHIBIT H**

|  | <u>Pension<br/>Trust</u>   |
|--|----------------------------|
| Additions  |                            |
| Contributions  |                            |
| Employer   | \$ 310,004                 |
| Other Receipts   | <u>1,249</u>               |
| Total Contributions  | <u>311,253</u>             |
| Investment Income  |                            |
| Interest and Dividends   | 289,464                    |
| Realized Gain (Loss) From Sale of Investments                    | 23,808                     |
| Net Appreciation (Depreciation) in Fair Value of Investments     | <u>223,229</u>             |
| Net Investment Income (Loss)                                     | <u>536,501</u>             |
| Total Additions  | <u>847,754</u>             |
| Deductions   |                            |
| Benefit Payments   | 322,794                    |
| Administrative and Other Expenses                                | <u>22,356</u>              |
| Total Deductions   | <u>345,150</u>             |
| Change in Net Assets   | 502,604                    |
| Net Assets Held in Trust for Pension Benefits--January 1, 2006   | <u>4,734,495</u>           |
| Net Assets Held in Trust for Pension Benefits--December 31, 2006 | <u><u>\$ 5,237,099</u></u> |

**The Notes to Financial Statements are an integral part of this statement.**

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

The accounting policies of the Van Buren County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Van Buren County Road Commission.

### NOTE A--REPORTING ENTITY

The Van Buren County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3 member board of county road commissioners appointed by the county board of commissioners. The Road Commission may not issue debt without the county's approval and the tax levy is subject to county board of commissioner's approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Van Buren County Road Commission, a component unit of Van Buren County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund money distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Van Buren County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets-net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expense are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

#### Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customer or applicants for goods or services or privileges provided; (2) Michigan transportation funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the Road Commission's policy to use restricted resources first, then unrestricted resources as needed.

#### Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

#### Cash and Investments

Cash is considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property Taxes Receivable

The property tax is levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st. The 2006 taxable valuation of the Van Buren County amounted to \$2,429,719,169, less \$796,167,451 for renaissance zones, cities, villages and other adjustments on which ad valorem taxes of .9802 mills were levied for the Road Commission for road construction purposes for a total of \$1,800,000.

The county's 2006 ad valorem tax is levied and collectible on December 1, 2006, and is reported as taxes receivable and is offset by deferred revenue at December 31, 2006.

#### Inventories

Inventories are priced at cost as determined on the average cost method. Inventory items are charged to road construction and equipment maintenance, and repairs and operations as used.

#### Restricted Cash

On June 12, 2006, the Road Commission entered into an installment purchase agreement for the purchase, by construction, of a new vehicle storage/maintenance building in the amount of \$4,800,000. At December 31, 2006, the new vehicle storage/maintenance building was not completed and the cash balance from the proceeds was \$1,916,226. Cash of \$1,916,226 on the balance sheet of the General Operating Fund is restricted for the use of the completion of the vehicle storage/maintenance building.

#### Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items) are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by Van Buren County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

|                         |                |
|-------------------------|----------------|
| Buildings               | 30 to 50 years |
| Road Equipment          | 5 to 8 years   |
| Shop Equipment          | 10 years       |
| Engineering Equipment   | 4 to 10 years  |
| Infrastructure--Roads   | 8 to 30 years  |
| Infrastructure--Bridges | 12 to 50 years |

#### Property Taxes

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Road Commission's tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended December 31, 2007, when the proceeds of the levy are budgeted and available for the financing operations.

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long term obligations are reported as liabilities in the Operating Fund Statement of Net Assets

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--BUDGETARY PROCEDURES

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the board of county road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief administrative officer (manager) prepares and submits a proposed operating budget to the board for its review and consideration. The board of county road commissioners conducts a public budget hearing and, subsequently, adopts the operating budget. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

#### Budget Violations

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. During 2006, the actual expenditures exceeded the final amended budget for one activity as follows:

|                     | Final<br>Amended<br>Budget | Actual       | Variance     |
|---------------------|----------------------------|--------------|--------------|
| Capital Outlay--Net | \$ 2,800,000               | \$ 2,961,399 | \$ (161,399) |

### NOTE D--CASH DEPOSITS AND INVESTMENTS

Michigan Compiled Laws 129.91, authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE D--CASH DEPOSITS AND INVESTMENTS (Continued)

The Road Commission has designated three banks for the deposit of Road Commission funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Road Commission's deposits and investment policy are in accordance with statutory authority.

At year end, the Road Commission's deposits and investments were reported in the basic financial statements in the following categories:

|                 | Operating<br>Fund   | Pension<br>Trust    | Total                |
|-----------------|---------------------|---------------------|----------------------|
| Cash            | \$ 3,879,215        |                     | \$ 3,879,215         |
| Investments     |                     | \$ 5,237,099        | 5,237,099            |
| Restricted Cash | 1,916,226           |                     | 1,916,226            |
| Total           | <u>\$ 5,795,441</u> | <u>\$ 5,237,099</u> | <u>\$ 11,032,540</u> |

The breakdown between deposits and investments is as follows:

|   |                      |
|---|----------------------|
| Bank Deposits (Checking and Savings<br>Accounts, Certificates of Deposit) | \$ 5,795,141         |
| Investments in Money Market and Mutual Funds                              | 5,237,099            |
| Petty Cash and Cash on Hand   | 300                  |
| Total   | <u>\$ 11,032,540</u> |

The bank balance of the Road Commission's deposits is \$6,576,673, of which \$300,000 is covered by Federal depository insurance.

### Investments Authorized by the Road Commission's Investment Policy

The Road Commission's investment policy only authorizes investment in all those that are authorized by law. The Road Commission has limited their investments to money markets and investments related to pension benefits. All investments are held in the name of the Road Commission.

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Road Commission manages its exposure to interest rate risk is by participating in mutual funds which hold diverse investments that are authorized by law for direct investment.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE D--CASH DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2006, the Road Commission had the following investments, none of which can be categorized:

|                          | Reported<br>Amount (Fair<br>Value) |
|--------------------------|------------------------------------|
| Investments              |                                    |
| Mutual Bond Funds        | \$ 1,584,270                       |
| Money Market Funds       | 56,181                             |
| Mutual Equity Funds      | 3,596,418                          |
| Accrued Income           | <u>230</u>                         |
| Total Primary Government | <u><u>\$ 5,237,099</u></u>         |

### Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds and pension trust funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Road Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Road Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Road Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. All of the investments are through the use of mutual funds.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE E--CAPITAL ASSETS

The following is a summary of the changes in capital assets:

|                                      | Account<br>Balances<br>01/01/06 | Additions           | Deductions          | Account<br>Balances<br>12/31/06 |
|--------------------------------------|---------------------------------|---------------------|---------------------|---------------------------------|
| Capital Assets Not Being Depreciated |                                 |                     |                     |                                 |
| Land and Improvements                | \$ 68,269                       |                     |                     | \$ 68,269                       |
| Construction in Progress             |                                 | \$ 2,883,774        |                     | 2,883,774                       |
| Infrastructure Right of Ways         | 24,429                          |                     |                     | 24,429                          |
| Infrastructure Land Improvements     | 9,981,120                       | 881,273             |                     | 10,862,393                      |
| Subtotal                             | 10,073,818                      | 3,765,047           | \$ -                | 13,838,865                      |
| Capital Assets Being Depreciated     |                                 |                     |                     |                                 |
| Land Improvements                    | 93,694                          | 418,454             |                     | 512,148                         |
| Buildings and Improvements           | 1,968,764                       | 2,798               | 24,520              | 1,947,042                       |
| Road Equipment                       | 8,170,765                       | 425,701             | 460,413             | 8,136,053                       |
| Shop Equipment                       | 93,171                          | 11,320              | 2,514               | 101,977                         |
| Office Equipment                     | 90,368                          | 9,855               | 11,837              | 88,386                          |
| Engineers' Equipment                 | 93,231                          | 876                 | 3,371               | 90,736                          |
| Yard and Storage                     | 182,595                         |                     |                     | 182,595                         |
| Depletable Assets                    | 234,078                         |                     |                     | 234,078                         |
| Infrastructure--Traffic Signals      | 134,629                         |                     |                     | 134,629                         |
| Infrastructure--Bridges              | 7,620,545                       | 260,093             | 3,001               | 7,877,637                       |
| Infrastructure--Roads                | 50,654,482                      | 3,775,180           | 1,989,198           | 52,440,464                      |
| Total                                | 69,336,322                      | 4,904,277           | 2,494,854           | 71,745,745                      |
| Less Accumulated Depreciation        |                                 |                     |                     |                                 |
| Land Improvements                    | 18,160                          | 5,101               |                     | 23,261                          |
| Buildings                            | 645,077                         | 61,784              | 24,512              | 682,349                         |
| Road Equipment                       | 6,021,880                       | 658,912             | 432,177             | 6,248,615                       |
| Shop Equipment                       | 72,041                          | 5,515               | 2,514               | 75,042                          |
| Office Equipment                     | 66,235                          | 9,642               | 11,836              | 64,041                          |
| Engineers' Equipment                 | 73,267                          | 8,217               | 3,371               | 78,113                          |
| Yard and Storage                     | 82,952                          | 13,077              |                     | 96,029                          |
| Depletable Assets                    | 149,774                         | 886                 |                     | 150,660                         |
| Infrastructure--Traffic Signals      | 70,191                          | 8,975               |                     | 79,166                          |
| Infrastructure--Bridges              | 2,466,960                       | 144,573             | 3,001               | 2,608,532                       |
| Infrastructure--Roads                | 19,910,111                      | 2,941,964           | 1,989,198           | 20,862,877                      |
| Total                                | 29,576,648                      | 3,858,646           | 2,466,609           | 30,968,685                      |
| Net Capital Assets Being Depreciated | 39,759,674                      | 4,904,277           | 3,886,891           | 40,777,060                      |
| Total Net Capital Assets             | <u>\$ 49,833,492</u>            | <u>\$ 8,669,324</u> | <u>\$ 3,886,891</u> | <u>\$ 54,615,925</u>            |

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE E--CAPITAL ASSETS (Continued)

The construction in progress is related to the new garage being built. The estimated construction cost is \$4,800,000. At December 31, 2006, the Road Commission had incurred \$2,883,774 in expenditures for construction of the garage. It is expected that the construction of the garage will be completed during the summer of 2007.

Depreciation expense charged to programs of the Road Commission is as follows:

|                                     |                     |
|-------------------------------------|---------------------|
| Net Equipment Expense               |                     |
| Direct Equipment                    | \$ 658,912          |
| Indirect Equipment                  | 69,995              |
| Net Administrative Expenses         |                     |
| Building                            | 12,077              |
| Engineering                         | 8,217               |
| Office Equipment                    | 9,642               |
| Land Improvements                   | 3,405               |
| Depletable Assets                   | 886                 |
| Infrastructure Depreciation Expense | <u>3,095,512</u>    |
| Total Depreciation Expense          | <u>\$ 3,858,646</u> |

### NOTE F--LONG-TERM DEBT

The long-term debt of the Road Commission may be summarized as follows:

|  | Balance<br>01/01/06 | Additions<br>(Reductions) | Balance<br>12/31/06 | Due Within<br>One Year |
|--|---------------------|---------------------------|---------------------|------------------------|
| 2 Caterpillar Wheel Loaders Model<br>\$138,000 Capital Lease Dated<br>Dated May 3, 2002      | \$ 28,776           | \$ (28,776)               | -                   |                        |
| 15 Year Installment Purchase Agreement<br>for New Garage, \$4,800,000 dated<br>June 12, 2006 |                     | 4,800,000                 | \$ 4,800,000        | \$ 231,811             |
| Vested Employee Benefits<br>Vacation and Sick Leave  | <u>265,386</u>      | <u>6,885</u>              | <u>272,271</u>      |                        |
| Totals   | <u>\$ 294,162</u>   | <u>\$ 4,778,109</u>       | <u>\$ 5,072,271</u> | <u>\$ 231,811</u>      |

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--LONG-TERM DEBT (Continued)

The annual interest and principal requirements of the Road Commission's long-term borrowing may be summarized as follows:

A new garage was purchased under a 15 year installment lease purchase agreement through LaSalle Bank. The original purchase price was \$4,800,000, with 15 annual payments of \$445,411 at an implied interest rate of 4.45%.

| <u>Loan<br/>Date</u> | <u>Loan<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Year</u> | <u>Outstanding<br/>12/31/06</u> | <u>Interest<br/>Payable if<br/>Held to<br/>Maturity</u> |
|----------------------|------------------------|--------------------------|--------------------------|---------------------------------|---|
| 06/12/06             | \$ 4,800,000           | 4.45%                    | 2007                     | \$ 231,811                      | \$ 213,600  |
|                      |                        |                          | 2008                     | 242,127                         | 203,284   |
|                      |                        |                          | 2009                     | 252,902                         | 192,510   |
|                      |                        |                          | 2010                     | 264,156                         | 181,256   |
|                      |                        |                          | 2011                     | 275,911                         | 169,501   |
|                      |                        |                          | 2012-2016                | 1,575,022                       | 652,035   |
|                      |                        |                          | 2017-2021                | <u>1,958,071</u>                | <u>268,983</u>  |
| Total                |                        |                          |                          | <u>\$ 4,800,000</u>             | <u>\$ 1,881,169</u>                                     |

### Vested Employee Benefits

Vacation is earned in varying amounts depending on the number of years of service of an employee and is made available to employees on their anniversary dates. Vacation pay at 100% is payable to the employee when employment is severed. At December 31, 2006, there was \$107,359 recorded as vacation liability.

Union employees--Sick leave is accumulated at the rate of 4 hours per pay period for union employees, not to exceed 760 hours or 95 days. Upon retirement or death of an employee, the employee or his estate shall receive an amount equal to 50% of the sick leave credits at the hourly rate he was paid on the last day worked.

Nonunion employees--Sick leave is earned at a rate of 6 hours per month to a maximum of 54 days. Days in excess of the maximum will be paid off at a rate of 50% annually. Upon retirement or death of an employee with less than 15 years of service, the employee or his estate shall receive an amount equal to 50% of the employee's unused sick leave credits at the rate paid on the last day worked. For employees with 15 or more years of service, the employee or his estate shall receive an amount equal to 60% of the employee's unused sick leave credits at the rate paid on the last day worked to a maximum of 54 days.

At December 31, 2006, there was a total of \$164,911 recorded as sick leave liability for both the union and nonunion employees.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--EMPLOYEES' RETIREMENT SYSTEM

#### Plan Description

The Van Buren County Road Commission pension plan is a single employer-defined benefit plan administered through Fifth Third Bank. The information disclosed, as of December 31, 2006, is based on information provided by Fifth Third Bank. The Van Buren County Road Commission plan had 53 active participants, 44 retirees and 6 terminated but vested employees as of January 1, 2007, the most recent period for which actuarial data was available. The plan administrator, Fifth Third Bank, did not issue a separate report for the year 2006.

The system provides retirement, disability and death benefits to plan members and their beneficiaries in accordance with the Road Commission labor agreements and personnel policies. The Road Commissioners have the authority to establish or amend the retirement benefits, which are agreed upon through labor negotiations and are included in the labor agreements and personnel policies.

#### Funding Policy

The Road Commission has the policy to contribute the actuarially determined amount yearly. Fifth Third Bank separately identifies and reports on the contributions and earnings in a "Defined Benefit Pension Plan Account." During 2006, contributions were invested in money market investments, mutual fund investments.

#### Contributions

Each employee becoming eligible to participate in the plan is required to contribute a percentage of their compensation equal to 4% or 5% for nonunion and union, respectively, in accordance with the labor agreements and personnel policies. The Road Commission makes contributions in accordance with the minimum recommended employer contribution required by the actuary plan. During the plan year ended December 31, 2006, the Road Commission contributions totaled \$216,079.

#### Summary of Significant Accounting Policies and Plan Asset Matters

The assets of the pension plan consist of money market investments and mutual funds purchased under the control of Fifth Third Bank (Trustee). The trustee currently provides monthly "statement highlights" providing a summary of balances, which provides the income and expense data accounting for the monthly changes in the Group Annuity Contract value for the General Account only. These statements provided for the audit report are effective through December 31 each year. All contributions under this plan will be paid by the employer to the trustee and deposited in the trust. Contributions will be made at such times as the employer will determine in accordance with a funding policy and funding standard account established by the employer. All assets of the trust will be retained for the exclusive benefit of participants and beneficiaries and to pay benefits and administrative expenses of the plan and trust. The trustee is entitled to reasonable compensation for all services rendered as trustee. The trustee will be reimbursed for all reasonable expenses incurred by it, including counsel and auditing fees.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

#### Schedule of Funding Progress (2)

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)</u> | <u>Percent<br/>Funded</u> | <u>Unfunded<br/>AAL<br/>(UAAL)</u> | <u>Covered<br/>Payroll</u> | <u>UAAL as<br/>a Percent<br/>of Covered<br/>Payroll</u> |
|---|--|--|---------------------------|------------------------------------|----------------------------|---|
| 2006                                    | \$ 4,959,886                             | \$ 5,822,513   | 85%                       | \$ (862,627)                       | \$ 1,996,522               | 43%   |
| 2005                                    | 4,564,620                                | 5,585,088  | 82                        | (1,020,468)                        | 1,899,515                  | 54  |
| 2004                                    | 4,316,363                                | 5,435,019  | 79                        | (1,118,656)                        | 2,001,070                  | 56  |
| 2003                                    | 3,722,086                                | 5,283,149  | 70                        | (1,561,063)                        | 1,981,462                  | 79  |
| 2002                                    | 3,829,869                                | 4,965,564  | 77                        | (1,135,695)                        | 1,825,033                  | 62  |
| 2001                                    | 3,864,242                                | 4,851,207  | 80                        | (986,965)                          | 1,632,963                  | 60  |
| 2000                                    | 3,721,962                                | 4,543,259  | 81                        | (821,297)                          | 1,305,284                  | 62  |
| 1999                                    | 3,608,460                                | 3,933,107  | 90                        | (324,647)                          | 1,395,640                  | 23  |
| 1998                                    | 3,240,833                                | 3,771,938  | 86                        | (531,105)                          | 1,407,036                  | 38  |
| 1997                                    | 2,910,125                                | 3,251,426  | 90                        | (341,301)                          | 1,339,618                  | 25  |

#### Schedule of Employer Contributions

| <u>Year<br/>Ended</u> | <u>Annual<br/>Required<br/>Contribution</u> | <u>Actual<br/>Contribution</u> | <u>Percentage<br/>Contributed</u> |
|-----------------------|---|--------------------------------|-----------------------------------|
| 2006                  | \$ 216,079                                  | \$ 216,079                     | 100%                              |
| 2005                  | 214,497                                     | 214,497                        | 100%                              |
| 2004                  | 223,811                                     | 223,811                        | 100%                              |
| 2003                  | 196,981                                     | 196,981                        | 100%                              |
| 2002                  | 166,870                                     | 166,870                        | 100%                              |
| 2001                  | 134,867                                     | 134,867                        | 100%                              |
| 2000                  | 97,809                                      | 99,366                         | 100%                              |
| 1999                  | 120,998                                     | 120,998                        | 100%                              |
| 1998                  | 124,440                                     | 124,440                        | 100%                              |
| 1997                  | 116,211                                     | 116,211                        | 100%                              |

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of January 1, 2007, the latest actuarial valuation, follows:

|                               |                                    |
|-------------------------------|------------------------------------|
| Actuarial Cost Method         | Entry Age Normal Cost Method       |
| Amortization Method           | 15 years beginning January 1, 2002 |
| Remaining Amortization Period | 10 years                           |
| Asset Valuation Method        | Adjusted Market Value              |
| Actuarial Assumptions         |                                    |
| Investment Rate of Return     | 7%                                 |
| Projected Salary Increases*   | 4%                                 |

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--DEFERRED COMPENSATION PLAN

The Van Buren County Board of Road Commissioners offers all Road Commission employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457 with Comprehensive Financial Services, Inc. The assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

### NOTE I--POST-EMPLOYMENT BENEFITS

The Road Commission provides post-employment health and dental care benefits, in accordance with labor contracts and personnel policy, to all employees who retire under the provisions of the Van Buren County Road Commission Pension Plan or completing 15 years of service; after having attained age 62 or more, the Road Commission will pay set premiums as listed below or 100% (depending on the plan) of the premium or subscription rate for the continuance of the hospital and surgical coverage for the employee and his/her then eligible spouse. The Road Commission will also continue to pay set premiums as listed below or 100% (depending on the plan) of the premium or subscription rate for the health insurance for widows of employees who have had 15 or more years of service with the Road Commission or widows of employees who are killed on the job. Currently, 36 retirees met those eligibility requirements. Expenditures for post-employment health care benefits are recognized when insurance premiums are paid. Premiums paid by the Road Commission in 2006 totaled \$235,380 less \$33,105 reimbursed by retirees for a net total cost of \$202,275.

As of January 1, 2006, the Road Commission will begin paying the following maximum contributions toward health, dental and vision insurance premiums:

|             |                     |
|-------------|---------------------|
| Single:     | Up to \$429/month   |
| Two-Person: | Up to \$984/month   |
| Family:     | Up to \$1,132/month |

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE J--RISK MANAGEMENT

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State.

The Pool operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. If for any reason the Pool's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

The Road Commission pays an annual premium to the Pool for automobile and equipment liability, trunkline liability, errors and omissions and bodily injury, property damage and personal injury liability. The Road Commission premium during 2006 was \$289,918. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board. Commercial insurance was purchased for property coverage (buildings and contents). Commercial insurance was also purchased for health care benefits and workers compensation insurance through the Accident Fund of Michigan.

At December 31, 2006, there were no claims which exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years. Settled claims for the Road Commission have not exceeded the amount of insurance coverage in any of the past 3 years.

### NOTE K--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2006, the Federal aid received and expended by the Road Commission was \$633,368 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

**VAN BUREN COUNTY ROAD COMMISSION**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES--BUDGET AND ACTUAL**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended December 31, 2006**

**EXHIBIT I**

|   | Original<br>Adopted<br>Budget | Final<br>Amended<br>Budget | Actual               | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------------------|----------------------------|----------------------|--|
| Taxes                                     |                               |                            |                      |  |
| Property Taxes                            | \$ 1,630,000                  | \$ 1,673,000               | \$ 1,673,318         | \$ 318                                 |
| Federal Grants                            |                               |                            |                      |  |
| Surface Transportation Program            | 546,400                       | 390,000                    | 298,302              | (91,698)                               |
| "D" Funds                                 | 658,000                       | 351,000                    | 248,993              | (102,007)                              |
| Critical Bridge                           | 207,000                       | -                          | -                    | -                                      |
| Congestion/Air Quality                    |                               | 90,000                     | 86,073               | (3,927)                                |
| State Grants                              |                               |                            |                      |  |
| Michigan Transportation Fund              |                               |                            |                      |  |
| Engineering                               | 10,000                        | 10,000                     | 10,000               | -                                      |
| Primary Road                              | 3,385,000                     | 3,375,000                  | 3,428,479            | 53,479                                 |
| Local Road                                | 2,272,000                     | 2,292,000                  | 2,255,856            | (36,144)                               |
| Primary Urban Road                        | 190,000                       | 190,000                    | 234,319              | 44,319                                 |
| Local Urban Road                          | 43,000                        | 83,000                     | 107,022              | 24,022                                 |
| Snow Removal                              | 50,000                        | 52,700                     | 52,747               | 47                                     |
| Critical Bridge                           | 11,500                        | 205,300                    | 205,382              | 82                                     |
| Economic Development Funds                |                               |                            |                      |  |
| Rural Primary (D)                         | 168,000                       | 168,000                    | 101,901              | (66,099)                               |
| Contributions--Local Units                |                               |                            |                      |  |
| Townships                                 | 3,100,000                     | 2,505,000                  | 2,496,384            | (8,616)                                |
| Charges for Services                      |                               |                            |                      |  |
| State Trunkline Maintenance               | 200,000                       | 90,000                     | 86,727               | (3,273)                                |
| State Trunkline Nonmaintenance            | 80,000                        | 144,600                    | 144,608              | 8                                      |
| Salvage Sales                             | -                             | -                          | 10,382               | 10,382                                 |
| Interest and Rents                        |                               |                            |                      |  |
| Interest Earned                           | 125,000                       | 270,945                    | 285,774              | 14,829                                 |
| Rents and Royalties                       |                               |                            | 8,739                | 8,739                                  |
| Other Revenue                             |                               |                            |                      |  |
| Contributions From Private Sources        |                               | 739,392                    | 739,392              | -                                      |
| Reimbursements                            |                               |                            | 2,076                | 2,076                                  |
| Gain on Equipment Disposal                |                               | 120,354                    | 120,354              | -                                      |
| Total Revenue                             | 12,675,900                    | 12,750,291                 | 12,596,828           | (153,463)                              |
| Other Financing Sources                   |                               |                            |                      |  |
| Insurance Recoveries                      | -                             | -                          | 13,039               | 13,039                                 |
| Installment Purchase Proceeds             |                               | 4,800,000                  | 4,800,000            | -                                      |
| Total Revenue and Other Financing Sources | 12,675,900                    | 17,550,291                 | <u>\$ 17,409,867</u> | <u>\$(140,424)</u>                     |
| Fund Balance--January 1, 2006             | 4,000,000                     | 4,292,634                  |                      |  |
| Total Budget                              | <u>\$ 16,675,900</u>          | <u>\$ 21,842,925</u>       |                      |  |

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended December 31, 2006**

**EXHIBIT J**

|                                      | Original<br>Adopted<br>Budget | Final<br>Amended<br>Budget | Actual               | Variance<br>Favorable<br>(Unfavorable) |
|--------------------------------------|-------------------------------|----------------------------|----------------------|--|
| Primary Road                         |                               |                            |                      |  |
| Preservation/Structural Improvements | \$ 2,357,900                  | \$ 2,238,378               | \$ 1,927,516         | \$ 310,862                             |
| Routine and Preventive Maintenance   | 1,405,000                     | 1,588,180                  | 1,488,780            | 99,400                                 |
| Local Road                           |                               |                            |                      |  |
| Construction/Capacity Improvements   |                               | 737,559                    | 737,559              | -                                      |
| Preservation/Structural Improvements | 2,225,000                     | 2,009,227                  | 1,991,378            | 17,849                                 |
| Routine and Preventive Maintenance   | 3,278,000                     | 3,653,840                  | 3,503,406            | 150,434                                |
| Primary Road Structure               |                               |                            |                      |  |
| Preservation/Structural Improvements | -                             | 2,772                      | 2,725                | 47                                     |
| Routine and Preventive Maintenance   | 5,000                         | 2,766                      | 2,664                | 102                                    |
| Local Road Structure                 |                               |                            |                      |  |
| Preservation/Structural Improvements | 250,000                       | 260,879                    | 257,368              | 3,511                                  |
| Routine and Preventive Maintenance   | 5,000                         | 10,205                     | 10,056               | 149                                    |
| State Trunkline Maintenance          | 200,000                       | 90,000                     | 86,727               | 3,273                                  |
| State Trunkline Nonmaintenance       | 80,000                        | 145,000                    | 144,608              | 392                                    |
| Equipment Expense--Net               | (50,000)                      | 598,849                    |                      |  |
| Direct                               |                               |                            | \$ 1,466,678         |  |
| Indirect                             |                               |                            | 687,701              |  |
| Operating                            |                               |                            | 327,076              |  |
| Less: Equipment Rentals              |                               |                            | <u>(2,022,937)</u>   |  |
|                                      |                               |                            | 458,518              | 140,331                                |
| Distributive Expense                 | 2,680,000                     |                            |                      |  |
| Administrative Expense--Net          | 600,000                       | 730,104                    |                      |  |
| Administrative Expense               |                               |                            | 805,194              |  |
| Less: Purchase Discounts             |                               |                            | (5,048)              |  |
| Overhead--Other                      |                               |                            | (70,052)             |  |
| Overhead--State                      |                               |                            | <u>(18,933)</u>      |  |
|                                      |                               |                            | 711,161              | 18,943                                 |
| Capital Outlay--Net                  | -                             | 2,800,000                  |                      |  |
| Capital Outlay                       |                               |                            | 3,752,780            |  |
| Less: Depreciation Credits           |                               |                            | (763,135)            |  |
| Equipment Retirements                |                               |                            | <u>(28,246)</u>      |  |
|                                      |                               |                            | 2,961,399            | (161,399)                              |
| Debt Service                         |                               |                            |                      |  |
| Principal Payments                   | 28,850                        | 28,800                     | 28,776               | 24                                     |
| Interest Expense                     | 1,400                         | 1,450                      | 1,443                | 7                                      |
| Contingency                          | <u>5,000</u>                  |                            |                      |  |
| Total Expenditures                   | 13,071,150                    | 14,898,009                 | <u>\$ 14,314,084</u> | <u>\$ 583,925</u>                      |
| Fund Balance--December 31, 2006      | <u>3,604,750</u>              | <u>6,944,916</u>           |                      |  |
| Total Budget                         | <u>\$ 16,675,900</u>          | <u>\$ 21,842,925</u>       |                      |  |

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION  
ANALYSIS OF CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2006**

**EXHIBIT K**

|  | Primary<br>Road Fund | Local<br>Road Fund | County<br>Road<br>Commission | Total        |
|--|----------------------|--------------------|------------------------------|--------------|
| Total Revenues   | \$ 4,842,090         | \$ 6,370,285       | \$ 1,384,453                 | \$12,596,828 |
| Total Expenditures   | 4,015,755            | 7,228,625          | 3,069,704                    | 14,314,084   |
| Excess of Revenues Over<br>(Under) Expenditures  | 826,335              | (858,340)          | (1,685,251)                  | (1,717,256)  |
| Other Financing Sources (Uses)   |                      |                    |                              |              |
| Insurance Recoveries   |                      |                    | 13,039                       | 13,039       |
| Installment Purchase Proceeds  |                      |                    | 4,800,000                    | 4,800,000    |
| Optional Transfers   | (826,335)            | 826,335            |                              | -            |
| Interfund Adjustments  |                      | 32,005             | (32,005)                     | -            |
| Total Other Financing Sources (Uses)   | (826,335)            | 858,340            | 4,781,034                    | 4,813,039    |
| Excess of Revenues Over (Under) Expenditures<br>and Other Financing Sources and (Uses) | -                    | -                  | 3,095,783                    | 3,095,783    |
| Fund Balance--January 1, 2006  | -                    | -                  | 4,292,634                    | 4,292,634    |
| Fund Balance--December 31, 2006  | \$ -                 | \$ -               | \$ 7,388,417                 | \$ 7,388,417 |

**VAN BUREN COUNTY ROAD COMMISSION**  
**ANALYSIS OF REVENUES AND OTHER**  
**FINANCING SOURCES**  
**For the Year Ended December 31, 2006**

**EXHIBIT L**

|  | Primary<br>Road Fund | Local<br>Road Fund | County<br>Road<br>Commission | Total         |
|--|----------------------|--------------------|------------------------------|---------------|
| Taxes                                      |                      |                    |                              |               |
| Property Taxes                             | \$ 169,614           | \$ 548,409         | \$ 955,295                   | \$ 1,673,318  |
| Federal Grants                             |                      |                    |                              |               |
| Surface Transportation Program             | 298,302              |                    |                              | 298,302       |
| "D" Funds                                  | 248,993              |                    |                              | 248,993       |
| Congestion/Air Quality                     | 86,073               |                    |                              | 86,073        |
| State Grants                               |                      |                    |                              |               |
| Michigan Transportation Fund               |                      |                    |                              |               |
| Engineering                                | 6,031                | 3,969              |                              | 10,000        |
| Allocation                                 | 3,428,479            | 2,255,856          |                              | 5,684,335     |
| Urban                                      | 234,319              | 107,022            |                              | 341,341       |
| Snow Removal                               | 23,967               | 28,780             |                              | 52,747        |
| Critical Bridge                            |                      | 205,382            |                              | 205,382       |
| Economic Development Fund                  |                      |                    |                              |               |
| Rural Primary (D)                          | 101,901              |                    |                              | 101,901       |
| Contributions--Local Units                 |                      |                    |                              |               |
| Townships                                  | 13,076               | 2,483,308          |                              | 2,496,384     |
| Charges for Services                       |                      |                    |                              |               |
| State Trunkline Maintenance                | 86,727               |                    |                              | 86,727        |
| State Trunkline Nonmaintenance             | 144,608              |                    |                              | 144,608       |
| Salvage Sales                              |                      |                    | 10,382                       | 10,382        |
| Interest and Rents                         |                      |                    |                              |               |
| Interest Earned                            |                      |                    | 285,774                      | 285,774       |
| Rents and Royalties                        |                      |                    | 8,739                        | 8,739         |
| Other Revenue                              |                      |                    |                              |               |
| Contributions From Private Sources         |                      | 737,559            | 1,833                        | 739,392       |
| Reimbursements                             |                      |                    | 2,076                        | 2,076         |
| Gain on Equipment Disposal                 |                      |                    | 120,354                      | 120,354       |
| Total Revenue                              | 4,842,090            | 6,370,285          | 1,384,453                    | 12,596,828    |
| Other Financing Sources                    |                      |                    |                              |               |
| Insurance Recoveries                       |                      |                    | 13,039                       | 13,039        |
| Installment Purchase Proceeds              |                      |                    | 4,800,000                    | 4,800,000     |
| Total Revenues and Other Financing Sources | \$ 4,842,090         | \$ 6,370,285       | \$ 6,197,492                 | \$ 17,409,867 |

**VAN BUREN COUNTY ROAD COMMISSION**  
**ANALYSIS OF EXPENDITURES**  
**For the Year Ended December 31, 2006**

**EXHIBIT M**

|  | Primary<br>Road Fund | Local<br>Road Fund | County<br>Road<br>Commission | Total         |
|--|----------------------|--------------------|------------------------------|---------------|
| Primary Road                                   |                      |                    |                              |               |
| Preservation/Structural Improvements           | \$ 1,927,516         |                    |                              | \$ 1,927,516  |
| Routine and Preventive Maintenance             | 1,488,780            |                    |                              | 1,488,780     |
| Local Road                                     |                      |                    |                              |               |
| Construction/Capacity Improvements             |                      | \$ 737,559         |                              | 737,559       |
| Preservation/Structural Improvements           |                      | 1,991,378          |                              | 1,991,378     |
| Routine and Preventive Maintenance             |                      | 3,503,406          |                              | 3,503,406     |
| Primary Road Structures                        |                      |                    |                              |               |
| Preservation/Structural Improvements           | 2,725                |                    |                              | 2,725         |
| Routine and Preventive Maintenance             | 2,664                |                    |                              | 2,664         |
| Local Road Structures                          |                      |                    |                              |               |
| Preservation/Structural Improvements           |                      | 257,368            |                              | 257,368       |
| Routine and Preventive Maintenance             |                      | 10,056             |                              | 10,056        |
| State Trunkline Maintenance                    | 86,727               |                    |                              | 86,727        |
| State Trunkline Nonmaintenance                 | 144,608              |                    |                              | 144,608       |
| Equipment Expense--Net<br>(Per Exhibit J)      | 117,472              | 262,960            | \$ 78,086                    | 458,518       |
| Administrative Expense--Net<br>(Per Exhibit J) | 245,263              | 465,898            |                              | 711,161       |
| Capital Outlay--Net<br>(Per Exhibit J)         |                      |                    | 2,961,399                    | 2,961,399     |
| Debt Service                                   |                      |                    |                              |               |
| Principal Payments                             |                      |                    | 28,776                       | 28,776        |
| Interest Payments                              |                      |                    | 1,443                        | 1,443         |
| Total Expenditures                             | \$ 4,015,755         | \$ 7,228,625       | \$ 3,069,704                 | \$ 14,314,084 |



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

March 6, 2007

Van Buren County Road Commission  
Board of County Road Commissioners  
300 James Street  
P.O. Box 156  
Lawrence, Michigan 49064

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of the Financial Statements Performed in Accordance With  
Government Auditing Standards

Dear Board Commissioners:

We have audited the basic financial statements of the Van Buren County Road Commission, a component unit of Van Buren County, as of and for the year ended December 31, 2006, and have issued our report thereon dated March 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Van Buren County Road Commission's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Van Buren County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Van Buren County Road Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Road Commission's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Road Commission's financial statement that is more than inconsequential will not be prevented or detected by the Road Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Road Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Van Buren County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Van Buren County Board of Road Commissioners, the Road Commission's management and others within the Road Commission, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division